

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 AF-10 EUR-12 EA-12 NEA-10 ISO-00 EB-08  
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CIAE-00 INR-10 NSAE-00 OIC-02 ABF-01 SAB-02 /142 R

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HA/HR:MBOVA (INFO)

-----085912 281412Z /72

R 272243Z APR 78  
FM SECSTATE WASHDC  
TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS  
AMEMBASSY BELGRADE  
AMEMBASSY BERN  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY THE HAGUE  
AMEMBASSY HELSINKI  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY STOCKHOLM  
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AMEMBASSY TEL AVIV  
AMEMBASSY TOKYO  
AMEMBASSY VIENNA  
INFO AMEMBASSY MANILA  
AMEMBASSY ABIDJAN

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VIENNA PASS BERGSTEN, SANTO DOMINGO PASS ARELLANO

E.O. 11652: N/A

TAGS: EAID, EFIN, IDB

SUBJECT: ANNUAL MEETING OF INTER-AMERICAN DEVELOPMENT BANK

MANILA FOR USADB, ABIDJAN FOR USED AFDB  
SUMMARY OF MEETING

NINETEENTH ANNUAL MEETING OF IDB BOARD OF GOVERNORS HELD VANCOUVER, B.C., APRIL 17-19, 1978. USDEL LED BY DEPUTY TREASURY SECRETARY CARSWELL. MECHANISM TO REACH AGREEMENT OF FIFTH REPLENISHMENT WAS ESTABLISHED AND INITIAL REPLENISHMENT MEETING WAS HELD. A MEXICAN INITIATIVE TO UNDERTAKE LONG RANGE STUDY OF FUNCTIONS AND POLICIES OF BANK WAS APPROVED. USDEL NOTED ADMINISTRATION'S EFFORTS TO SECURE APPROPRIATIONS TO MEET AGREED FUNDING LEVELS AND STRESSED IMPORTANCE OF HUMAN RIGHTS AND ADMINISTRATIVE CONCERNS.

OVERALL CONCERN OF THE MEETING CENTERED AROUND DESIRE TO ASSURE ADEQUATE FUTURE LENDING LEVELS OF THE BANK, INCLUDING TIMELY COMPLETION OF REPLENISHMENT NEGOTIATIONS. DELEGATES WERE PRAGMATIC IN THEIR APPROACH TO THE U.S.  
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SHORTFALL ISSUE, EXPRESSING THEIR LEGITIMATE CONCERNS WHILE AT THE SAME TIME RECOGNIZING THE ADMINISTRATION'S EFFORTS TO MAKE UP SHORTFALLS. SEVERAL DELEGATIONS

DISAGREED WITH U.S. POSITIONS ON HUMAN RIGHTS AND SALARIES, BUT CRITICISM GENERALLY WAS EXPRESSED IN INDIRECT AND MODERATE TERMS. SENATE APPROVAL OF PANAMA CANAL TREATY AT MID-POINT OF MEETING VERY WELL RECEIVED.

MOST SIGNIFICANT OUTCOME WAS ESTABLISHMENT OF PROCESS FOR ARRIVING AT REPLENISHMENT AND ATTITUDES EXPRESSED ESPECIALLY BY NON-REGIONALS ON SEVERAL REPLENISHMENT ISSUES IMPORTANT TO U.S. E.G. EMPHASIS ON AID TO POOREST NATIONS, LESS RELATIVE EMPHASIS ON CONCESSIONAL FINANCE IN LATIN AMERICA. END SUMMARY.

I. BUSINESS OF MEETING

BOARD OF GOVERNORS ELECTED CANADIAN MINISTER OF FINANCE JEAN CHRETIEN AS CHAIRMAN OF THE BOARD OF GOVERNORS. THE COMMITTEE OF THE BOARD WAS AUTHORIZED TO STUDY THE STATUS OF THE BANK'S RESOURCES AND MEASURES TO INCREASE BANK'S CAPITAL. BOARD ALSO APPROVED RESOLUTION, BASED ON A MEXICAN INITIATIVE, RECOMMENDING THAT THE COMMITTEE OF THE BOARD EVALUATE FUNCTIONS AND POLICIES OF THE BANK AND SUBMIT APPROPRIATE RECOMMENDATIONS IN LIGHT OF THE CHANGES THAT HAVE TAKEN PLACE IN THE ECONOMIC SITUATION OF LATIN AMERICA AND THE WORLD. IT WAS DECIDED TO ESTABLISH A WORKING GROUP OF THE COMMITTEE OF THE BOARD OF GOVERNORS TO CARRY OUT THIS TASK, AND SUBMIT APPROPRIATE REPORTS. THE COMMITTEE IS TO REPORT TO THE BOARD AT THE NEXT ANNUAL MEETING ON THE WORK PERFORMED. AT U.S. INSISTENCE THE

REPORT ACCOMPANYING THE RESOLUTION MADE CLEAR THAT THIS LONG RANGE STUDY SHOULD NOT PREVENT THE FIFTH REPLENISHMENT WORKING GROUP FROM CONSIDERING ISSUES CONCERNING THE BANK'S POLICIES AND FUNCTIONS RELEVANT TO THAT REPLENISHMENT.  
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## II. REPLENISHMENT

THE COMMITTEE ESTABLISHED A WORKING GROUP OF 22 DONOR COUNTRIES (INCLUDING ALL MEMBERS WHO CONTRIBUTE CONVERTIBLE CURRENCY TO THE FSO), WITH VENEZUELAN GOVERNOR AS CHAIRMAN, SPAIN AND CANADA AS CO-VICE CHAIRMEN, TO STUDY THE ISSUES, RECOMMEND REPLENISHMENT LEVELS, SHARES AND OTHER RELEVANT MATTERS AND REPORT BACK TO THE COMMITTEE NOT LATER THAN SEPTEMBER 29, 1978. MEETINGS OF THE WORKING GROUP WERE TENTATIVELY SCHEDULED FOR MAY 30-31 (MADRID) AND EARLY SEPTEMBER (PROBABLY MEXICO).

THE WORKING GROUP REVIEWED A BANK STUDY ON SIZE AND COMPOSITION OF REPLENISHMENT BUT IT HAD ONLY BEEN AVAILABLE THE DAY BEFORE. THE REPRESENTATIVES WERE NOT IN A POSITION TO DISCUSS AMOUNTS OR SHARES BUT EXPRESSED THEIR VIEWS ON OTHER ISSUES. GERMANY AND FRANCE COMMENTED ON NEED FOR U.S. TO MEET CURRENT PLEDGES BEFORE NEW REPLENISHMENT CAN BE EFFECTIVE. CANADA SUGGESTED THAT MORE COUNTRIES REFRAIN FROM BORROWING FROM FSO. GERMANY ACCEPTED MAINTENANCE OF REAL LEVEL ON FSO; CANADA, FRANCE AND DENMARK SUGGESTED LOWER FSO; OTHERS IMPLIED AGREEMENT TO LOWER FSO. THERE WAS A FAIRLY EVEN SPLIT OF OPINION ON WHETHER REPLENISHMENT SHOULD BE THREE OR FOUR YEARS; GERMANY, SWITZERLAND AND BELGIUM WANT THREE; U.K. AND DENMARK SUGGESTED FOUR. GERMANY SUGGESTED NEED TO SOLVE UNIT OF VALUE QUESTION AND WELCOMED MANAGEMENT'S SDR SUGGESTIONS. ALSO CALLED FOR TRIGGER MECHANISM TO ARRIVE "EQUAL" FOOTING AMONG ALL DONORS. U.S. REPEATED INITIAL VIEWS ON REPLENISHMENT STATED IN GOVERNOR'S SPEECH (OUTLINED BELOW), EMPHASIZED THAT ANY U.S. PLEDGE WOULD BE MADE ONLY AFTER FULL CONGRESSIONAL CONSULTATIONS AND WOULD BE SUBJECT TO APPROPRIATE  
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TION, AND THAT QUESTION OF WHETHER THE SDR SHOULD BE THE UNIT OF VALUE REQUIRES FURTHER STUDY. AT REQUEST OF MEMBERS, MANAGEMENT AGREED TO PREPARE SOME ADDITIONAL ALTERNATIVES ON REPLENISHMENT LEVEL AND COMPOSITION.

## III. U.S. SPEECH

IN FORMAL STATEMENT DELIVERED APRIL 18, DEPUTY TREASURY SECRETARY CARSWELL EMPHASIZED IMPORTANCE OF SUCCESSFUL U.S. EFFORTS TO REDUCE DIVISIVE ISSUES ABOUT PANAMA CANAL

AS INDICATIVE OF U.S. POLICY TOWARD LATIN AMERICA (THIS WAS BEFORE SENATE VOTE). HE ALSO NOTED DEVELOPMENT OF IDB FROM STRICTLY REGIONAL INSTITUTION TO GLOBAL PARTICIPATION. HE TOOK ACCOUNT OF BANK'S ACTIVITIES AND COMMENTED FAVORABLY ON PROGRESS IN INCREASINGLY DIRECTING CONCESSIONAL LENDING TO POOR, SUBSTANTIAL 1977 COMPLEMENTARY FINANCING, INCREASING ATTENTION TO USE OF APPROPRIATE TECHNOLOGIES AND STRENGTHENING OF LOAN EVALUATION MECHANISM. ALSO COMMENTED FAVORABLY ON BANK ACTION ON CERTAIN ADMINISTRATIVE ACTIONS BUT NOTED THAT SALARY ISSUE AND HUMAN RIGHTS ARE HIGHLY IMPORTANT FACTORS IN ABILITY TO SECURE FUNDING FROM CONGRESS TO FULFILL U.S. PLEDGES. ON UPCOMING REPLENISHMENT STATED THAT U.S. HAD NO FIRM POSITION ON LEVEL OF SHARES BUT SUGGESTED THAT (1) FSO RESOURCES SHOULD DECLINE IN RELATIVE IMPORTANCE TO CAPITAL, (2) INCREASING PROPORTION OF IDB RESOURCES SHOULD BE DEVOTED TO BENEFITTING LOW INCOME BENEFICIARIES AND (3) IT WOULD BE APPROPRIATE FOR ALL REPLENISHMENT RESOURCES TO BE MADE AVAILABLE IN CONVERTIBLE CURRENCY.

#### IV. OTHER SPEECHES

IN OTHER SPEECHES DURING PLENARY SESSION FOLLOWING MAJOR THEMES RAISED: CONCERN FOR SHORTFALLS IN U.S. CONTRIBUTIONS TO FSO AND SUBSCRIPTIONS TO CAPITAL BY BOTH REGIONAL AND NON-REGIONAL MEMBERS; FSO FINANCING SHOULD BE DIRECTED TO POOREST COUNTRIES OF THE REGION (BRAZIL, UNCLASSIFIED

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VENEZUELA, SWITZERLAND); FSO SHOULD BE FOR POOREST AND BASIC NEEDS PROJECTS (MOST NON-REGIONALS, CANADA); EXPANSION OF EXPORT FINANCING (BRAZIL, PERU); NEED FOR INCREASED CONCESSIONAL FINANCING (CENTRAL AMERICA, GUYANA, DOMINICAN REPUBLIC, ECUADOR); PER CAPITA INCOME IS NOT A SUFFICIENT INDICATOR OF DEVELOPMENT UPON WHICH TO BASE COUNTRIES' ACCESS TO CONCESSIONAL LOANS (BOLIVIA, PARAGUAY, ENGLISH-SPEAKING CARIBBEAN).

MANY EXPRESSED VIEW THAT COMPLEMENTARY FINANCING SHOULD BE INCREASED, ESPECIALLY IN MORE DEVELOPED COUNTRIES OF REGION. PERU FELT THAT ALL LOAN DECISIONS SHOULD BE MADE BY MAJORITY VOTE RATHER THAN TWO-THIRDS FOR FSO DECISIONS AS THIS IS SOURCE OF FRICTION AND MISUNDERSTANDING. MANY REGIONAL MEMBERS (ECHOED BY IDB PRESIDENT ORTIZ MENA) EXPRESSED BELIEF THAT THE ESTABLISHMENT OF DEVELOPMENT PRIORITY IS THE EXCLUSIVE DOMAIN OF THE COUNTRIES CONCERNED. NON-REGIONAL MEMBERS GENERALLY SUPPORTED IDEA OF ESTABLISHING NEW THIRD EXECUTIVE DIRECTORSHIP TO REPRESENT THEM. WEST GERMANY FELT IDB SALARY LEVELS ARE OBSTACLE TO HIRING OF GERMAN NATIONALS.

OPENING AND CLOSING SPEECHES OF IDB PRESIDENT ORTIZ MENA INCLUDED: CONCERN OVER U.S. DELAY IN CONTRIBUTIONS;

DESIRE THAT ARGENTINA, BRAZIL, MEXICO, TRINIDAD AND TOBAGO, VENEZUELA WOULD CONTINUE TO PROVIDE CONVERTIBLE RESOURCES TO FSO; VIEW THAT PROPORTIONAL INCREASE IN CAPITAL, AS OPPOSED TO FSO, RESOURCES IS APPROPRIATE; CONCERN ABOUT INJECTION OF POLITICAL CONSIDERATIONS INTO LOAN DECISION PROCESS IN CONTRADICTION TO IDB CHARTER PROVISIONS.

A NUMBER OF SPEECHES (CHILE, ECUADOR, ENGLISH-UNCLASSIFIED

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SPEAKING CARIBBEAN, PARAGUAY, MEXICO) CRITICIZED THE POLITICIZATION OF IDB BY ONE OR A GROUP OF COUNTRIES WHO INCORPORATE NON-ECONOMIC OR POLITICAL INTERESTS INTO BANK RELATED DECISIONS. HOWEVER, IN ADDITION TO U.S., AUSTRIA, SWEDEN, DENMARK MADE REFERENCE TO BELIEF THAT PERMANENT AND REAL ECONOMIC AND SOCIAL DEVELOPMENT IS

UNLIKELY IN THE ABSENCE OF BASIC HUMAN RIGHTS. UNLIKE LAST YEAR, UKDEL MADE NO REFERENCE TO HUMAN RIGHTS.

#### V. OTHER ACTIONS

IN MEETING OF BOARD OF EXECUTIVE DIRECTORS HELD IN VANCOUVER, A 3 1/2 PERCENT COST-OF-LIVING INCREASE FOR STAFF WAS APPROVED, AND DATE FOR MAKING SUBSCRIPTIONS TO BOTH OC AND FSO WAS EXTENDED FROM APRIL 19 TO OCTOBER 31, 1978. NATURAL CONCERN OF LATIN AMERICANS WITH DELAYS IN U.S. CONTRIBUTIONS WAS EXPLOITED BY GERMAN ED WHO TOOK LEADERSHIP POSITION IN EFFORT (BLOCKED BY USED) TO PASS UNHELPFUL RESOLUTION DIRECTLY CRITICIZING U.S. IN DIRECTORS MEETING HELD AFTER FORMAL MEETING OF GOVERNORS ADJOURNED.

#### VI. BILATERAL MEETINGS

DURING THE MEETING DEPUTY SECRETARY CARSWELL MET WITH DELEGATION FROM CANADA, BRAZIL, ARGENTINA, JAMAICA, JAPAN, AND PERU. OTHER MEMBERS OF THE U.S. DELEGATION MET SEPARATELY WITH REPRESENTATIVES OF THE DOMINICAN REPUBLIC, GUYANA, NICARAGUA, EL SALVADOR, ECUADOR, ISRAEL, AND SWEDEN. SEPTELS FOLLOW. VANCE

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## Message Attributes

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